



## Early Journal Content on JSTOR, Free to Anyone in the World

This article is one of nearly 500,000 scholarly works digitized and made freely available to everyone in the world by JSTOR.

Known as the Early Journal Content, this set of works include research articles, news, letters, and other writings published in more than 200 of the oldest leading academic journals. The works date from the mid-seventeenth to the early twentieth centuries.

We encourage people to read and share the Early Journal Content openly and to tell others that this resource exists. People may post this content online or redistribute in any way for non-commercial purposes.

Read more about Early Journal Content at <http://about.jstor.org/participate-jstor/individuals/early-journal-content>.

JSTOR is a digital library of academic journals, books, and primary source objects. JSTOR helps people discover, use, and build upon a wide range of content through a powerful research and teaching platform, and preserves this content for future generations. JSTOR is part of ITHAKA, a not-for-profit organization that also includes Ithaka S+R and Portico. For more information about JSTOR, please contact [support@jstor.org](mailto:support@jstor.org).

## NOTES AND MEMORANDA

---

### VICISSITUDES IN THE SHIPPING TRADE, 1870-1920

THE United States has become possessed of a large ocean-going merchant fleet so suddenly that we have more ships than information about them. The few books on the subject are almost entirely panegyrics on the past glories of the American clippers, laments over the decline of our shipping, or descriptions of the present mechanisms and documents of ocean commerce. We are in the midst of the worst shipping depression since steam has been the dominant motive power on the seas, and yet there is nowhere to be found an analytic description of previous periods of stagnant overseas business. Sir George Hunter, of the British shipyard Swan, Hunter, and Wigham Richardson, recently stated that he has witnessed six depressions in his sixty years of shipbuilding experience.<sup>1</sup> It is the purpose of the present article to consider these successive depressions and to make some observations concerning the present one.

Valuable, tho incomplete, material for such a study has lately been made available. J. C. Gould, Angier and Company, Ltd., a firm of English shipbrokers, has made at the end of each year since 1846 a report on the charter market. The reports for 1846-69 have been lost; those for the subsequent fifty-one years, through the courtesy of the firm, have now been published in *Fairplay*.<sup>2</sup> Within the half century for which data exist steam became almost universally adopted, the iron hull rose to a brief popularity soon to be superseded

<sup>1</sup> Journal of Commerce, April 12, 1921.

<sup>2</sup> Fairplay, January 8-June 10, 1920.

by the cheaper steel vessel, and the *Great Eastern*, the giant of 1858 born ahead of its time (680 feet long, 18,914 gross tons, so large that it deranged the charter market upon its appearance in Bombay in 1870),<sup>1</sup> came to be considered a small ship in comparison with the 852-foot *Olympic*, 46,439 gross tons, and the 907 foot *Leviathan*, 54,282 tons. In this period American sea-going shipping became largely a memory, and then, almost overnight, again a serious rival of Britain. In 1871 Messrs. Gould, Angier and Company made the comment that "England still monopolises the greatest share of the carrying trade of the world, and that in more marked degree since the increased use of iron steamers; Austria, Italy, and Norway hold their usual places, but America still remains far behind, and shows but little signs of regaining her former position for some time yet."<sup>2</sup> In 1920 they said in contrast, "The Americans — if they decide to stay in the game — inevitably will become dangerous, notwithstanding they have to shake off a veritable 'old man of the seas' in the Shipping Board."<sup>3</sup>

The varying success of shipping ventures during this long period is accurately reflected in the fluctuations of trip charter rates. When a vessel is chartered on this basis — to carry a specified commodity between designated ports at so many shillings per unit of the commodity — the shipper may be said to lease the entire ship "furnished." It has been estimated that over one-half the total weight of ocean shipments in 1913 was bulk cargo moving principally at trip charter rates. When shipping is mentioned to the ordinary person he at once thinks of the *Mauretania* or some ocean greyhound, but such vessels are weighted down more with reputation than with cargo. The heavy and dirty work of the seas is done by the blunt-nosed tramps that prowl the seven oceans for profitable employment. If piece cargo rates on liners are raised unduly above the general level, soon a dingy freighter will be announced on berth to take cargo over the same route and at quotations at or under those of the more pretentious

<sup>1</sup> Fairplay, January 8, 1920, p. 226.

<sup>2</sup> Ibid., January 8, 1920, p. 228.

<sup>3</sup> Ibid., January 1, 1920, p. 160.

vessels. Trip charter rates of tramp steamers can be taken as characteristic of rates and the fortunes of shipping in general.

The trend of rates between 1873 and 1913 was downward. While prices turned upward in the nineties, charter rates continued falling until 1912, and then recovered slightly prior to the outbreak of the great war. The downward tendency in the seventies and early eighties was due partly to the decline in prices and more especially to the increased use of steam propulsion. In the late eighties and nineties the cheaper steel vessels came into general employment. The continued decline of rates after the temporary advances during the Spanish-American and Boer wars is partly explained by the improved technique and equipment for handling vessels in port.

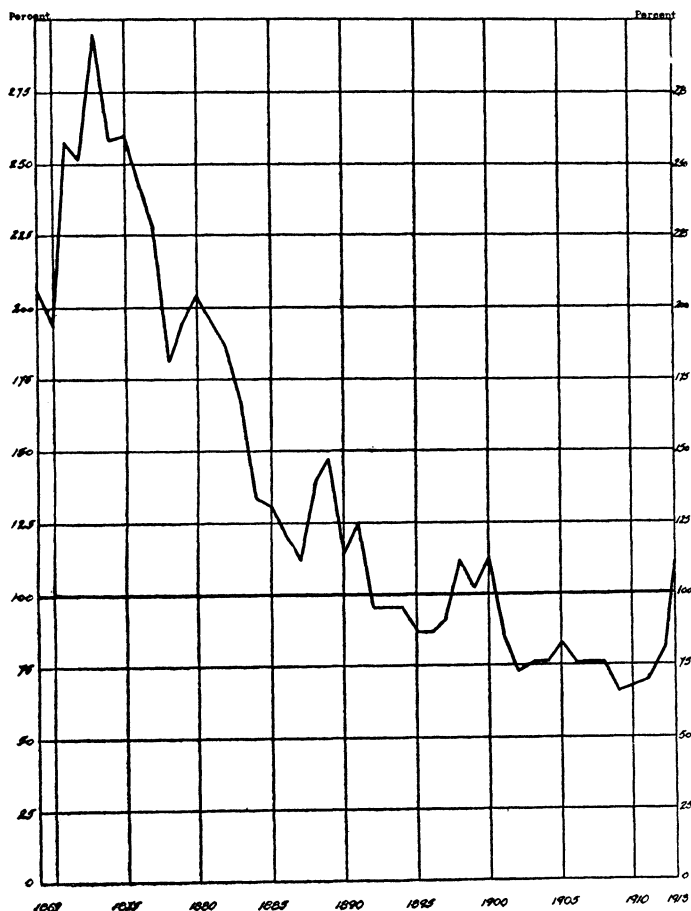
An index number has been constructed to show the fluctuations of charter rates since 1869, and a chart drawn on this basis. It stops at 1913 because the subsequent advances were so large as would obscure earlier movements if charted on the same scale. Eight trip charter rates were used. They represent rates at which cargo was actually shipped; the only modification has been the conversion of two of them into shillings per ton, so that all should be on this basis.<sup>1</sup> The high and low rates for the year have been taken on the following: (1) grain from New York to the United Kingdom; (2) timber from U. S. Gulf ports to the United Kingdom or Continent; (3) sugar from Java to Great Britain; (4) rice from Burmah to Europe; (5) jute from Calcutta to the United Kingdom; (6) cotton from U. S. Gulf or South Atlantic ports to Liverpool; (7) coal from Cardiff to Singapore; and (8) coal from Cardiff to Genoa. The arithmetic mean of the low and high figures for 1890-99 inclusive is taken as 100. The choice of this decade as a base was made because, while including a large number of years, the average for it corresponds almost identically with that for the three pre-war years 1911-13.

Four shipping depressions are distinguishable: (1) the period of the panic of 1873; (2) in the mid-eighties; (3) after

<sup>1</sup> The rate on lumber is quoted in terms of the St. Petersburg standard, 165 cu. ft. The average weight of southern lumber has been taken at 40 lbs. the cu. ft. Grain charters are in terms of quarters of eight bushels, 480 pounds.

the crisis of 1890 and the European depression of 1891-94; and (4) after the Spanish-American and Boer wars. There is a close paralleling of the business depressions occurring during

INDEX NUMBER OF EIGHT REPRESENTATIVE SHIP CHARTER RATES  
Base: Average 1890-99 = 100



these periods. It appears also that a depression existed prior to the prosperous years of 1870-73 — doubtless the reaction from the conditions after the Civil War — but sufficient data are not available on this point.

1. *The Panic of 1873*. While the Franco-Prussian War was of brief duration (Germany declared war on July 19, 1870 and peace was signed May 10, 1871) the events leading up to it had an unsettling effect on European business. After the war, a short period of prosperity set in, soon to be checked by the panic of 1873. Charter rates moved rapidly upward for the greater part of three years. Sugar from Java, which had moved to Europe at as low as 55s. a ton in 1870, touched 95s. in 1871 and 115s. in 1873. The rate on rice from Burmah jumped from a low of 52s. 6d. a ton in 1870 to 102s. 6d. in 1873. The coal rate from Cardiff to Genoa advanced from 14s. in 1869 to 19s. in 1873. The extraordinary industrial and speculative activity of those years is familiar to students of economic history.

In 1874 charter rates began a downward movement that was not stopped until 1879. The year 1874 opened with trade apparently just as brisk as the preceding year, but the reaction was severe. The rate on rice from Burmah to England dropped from 102s. 6d. in 1872 to 72s. 6d. in 1875 and continued declining until it touched 30s. in 1878, a retrogression of over 70 per cent. The quotation for carrying Java sugar to Europe fell from 115s. in 1873 to 55s. in 1878 and that of coal from Cardiff to Genoa from 19s. in 1873 to 11s. in 1876. The decline during these five years was almost continuous for all rates.

While the rates in five of the ten years between 1870 and 1880 may be considered as average, the world's tonnage increased less than in the previous decade. The 13.3 million gross tons in 1860 increased by 3.5 million tons to 16.8 million in 1870, but in the seventies the increase was only 3.2 million and in percentage was 19 as compared with 26 in the sixties. However, the more efficient steam tonnage increased from 1.6 million tons in 1860, or 11 per cent, to 5.5 million tons or 27 per cent in 1880, which is a partial explanation of the general downward tendency of rates.<sup>1</sup> But the increase in amount and kind of tonnage is only part of the equation and informa-

<sup>1</sup> World tonnage figures prior to 1890 are from Kirkaldy, *British Shipping; Its History, Organization and Importance*, Appendix 17. Later figures from the reference below, p. 139.

tion is lacking concerning the efficiency of ship operation and factors of like import.

In this decade the American merchant marine continued the long decline, begun in the sixties, and ended only by the great war. In 1860 the United States had 2.5 million gross tons of shipping registered for foreign trade, or 19 per cent of the world total; in 1870 our ocean-going shipping was 1.5 million tons, or 9 per cent of the world total; in 1880 it was 1.4 million tons, or 7 per cent.<sup>1</sup>

2. *The Depression of the Eighties.* After several years of slack business in all the principal countries of the world, a short revival began in 1878 and 1879. The upward swing of charter rates in these years was of brief duration and was not so pronounced as in 1870-73, but the decline was more violent than the previous one. The largest gains were registered in the Far Eastern trades. The rate on jute from Calcutta to Britain rose from 32s. 6d. in 1878 to 85s. in 1880. The rate on general cargo from Bombay to Europe jumped from 17s. 6d. a ton in 1878 to 50s. in 1880. Grain from New York to the Continent, however, in spite of the large American exports reached a high of only 6s. 3d. a quarter in 1880 as compared with 7s. 6d. in 1878.

The rise in rates was temporary and the decline began in 1880. On January 28, 1881, Messrs. Gould, Angier and Company complained that freights were dull "and employment does not leave good profits."<sup>2</sup> A little over a year later (April 22, 1882) the statement was made that "the present tonnage supply effectually precludes anything like high rates from any ports."<sup>3</sup> On June 16, 1883 a gloomier picture was painted, "Grain freights have declined to figures which are lower than the most despondent looked for, and the present indications point to worse markets and prolonged depression before any improvement can be expected."<sup>4</sup>

In 1882, the earliest year for which data of this kind are available, slightly over 960,000 gross tons of merchant vessels

<sup>1</sup> Annual Report of the Commissioner of Navigation, 1920, p. 208.

<sup>2</sup> Fairplay, February 26, 1920, p. 723.      <sup>3</sup> Ibid., March 4, 1920, p. 801.

<sup>4</sup> Ibid., p. 808.

were under construction in the United Kingdom while approximately 925,000 tons were building on March 31, 1883.<sup>1</sup> This "enormous rate of building" was checked by the fall in rates and by September 30, 1886 only 350,000 tons were under construction. In this decade the world's tonnage increased to 22.3 million gross tons, or 11 per cent, as compared with 19 per cent in the seventies and 26 per cent in the sixties. The American tonnage registered for foreign trade was only 4 per cent of the world total in 1890.

In this period of declining rates, however, the American sailing vessel made a last determined stand and from 1881 to 1885 proved over again the staunchness of New England-built vessels and the skill of Yankee crews. After the opening of the first transcontinental railroad and the subsequent development of the Pacific coast there sprang up a lively ocean trade in grain which could not bear the railway charge to the Atlantic. To San Francisco and Portland flocked the largest and the best sailing vessels of all the maritime nations of the world. The broad-waisted wooden New Englanders with their fine sheer and tall gleaming skysails made and held the record for passage around the Horn to Liverpool.

3. *The Crisis of 1890 and the Depression of 1891-94.* While business in America recovered rapidly after the brief crisis of 1884 and was considered good in 1886, the long depression in England did not end until 1887. Germany and France also experienced a moderate business revival in the late eighties. Shipping responded quickly. The rate on wheat from New York to Liverpool rose from the low of 1s. 6d. in 1879 to 5s. 6d. in 1889. The rate on timber from Pensacola to England jumped from 80s. in 1887 to 150s. in 1889. Sugar, which moved from Java to Europe for 30s. in 1886, had to pay as high as 52s. 6d. in 1889. Messrs. Gould, Angier and Company said of 1888 that it "will stand out as a remarkable one in the history of the shipping interest — a transformation scene of the whole trade — from abject depression to revival and prosperity."<sup>2</sup> But, as usual, the rise in freight rates was not

<sup>1</sup> Kirkaldy, Appendix 20. Figures were read from chart.

<sup>2</sup> Fairplay, March 25, 1920, p. 1037.



all gain. "Expenses in working steamers are as usual higher since the advance in freights. Wages have risen at most of the ports from £3 10s. to £4 5s., seamen 5s. to 10s. more than firemen. Fuel has risen 20 per cent, stores also to a small extent. Insurance is dearer in premium, and the cost of covering higher values increases this burthen." <sup>1</sup>

The amount of tonnage under construction in the United Kingdom, which reached 350,000 gross tons in 1886, the low point of the thirty-nine years, 1882-1921, rose to 930,000 gross tons at the end of the second quarter of 1889, the usual response to rising rates.

In 1891, with the financial panic following the failure of Baring Brothers in November, 1890, a depression in Europe set in and, intensified by poor harvests, was not relieved until the middle of the decade. In December, 1892 it was said that "the close of the 1891 season gave unmistakable warning that a severe depression in all freights had commenced and the broad facts of an unparalleled over-production of tonnage indicated most unmistakably a long continuance of bad trade for ships. The depression which lasted from 1884 to 1888 was caused mainly by an over-production of tonnage during 1880 to 1883, which was, however, feeble compared with the reckless rate of overbuilding during 1889 to 1892, both years included, and this with the 'Baring' smash to intensify the inevitable evil results points to a longer consequent depression than that which lasted from 1884 to 1888. The rapidity of the collapse during the past year has far exceeded the most pessimistic forecast. . . . At the present time it is impossible to find a round voyage in any direction to show a profit, even with the cheapest and most economical boats afloat." <sup>2</sup>

In 1894 a view even more pessimistic was taken: "The shipping trade of 1894 opened with a faint spurt, and a feeble attempt to force up freights and prices of steamers on the strength of an anticipated extensive naval programme, and the exaggerated effect of the amount of work to be given out to builders. The movement was short-lived and the effect on prices was small and scarce was the month of January out

<sup>1</sup> Fairplay, March 25, 1920, p. 1039.

<sup>2</sup> Ibid., April 15, 1920, p. 197.

when the recoil set in, and from that time the year dragged on in monotonous similarity with its four predecessors, viz., a steady course of low unprofitable freights and declining values of the property engaged. The evil effects, however, of the written-up spurt in the first month are important as shown in the enormous output of new tonnage, interfering strikes notwithstanding. Over 1,000,000 tons (gross) of new shipping have been turned out during the year, in the face of the fact that the carrying work to be done was more than fully supplied by the previously existing tonnage without a single new bottom. . . . The philanthropy of this great body of traders, the shipowners, is evidently inexhaustible, for after five years' unprofitable work, their energy is as unfagging as ever, and the amount of new tonnage under construction and on order guarantees a long continuance of present low freights, and an effectual check against increased costs of overseas carriage." <sup>1</sup>

4. *After the Spanish American and Boer Wars.* The latter prophecy would undoubtedly have been realized but for the Spanish American and Boer wars. After the immediate requisitioning of all suitable American tonnage, our government was forced to purchase and charter foreign ships. As a result, the price of cargo vessels rose from £5 15s. a dead-weight ton to £8 10s. and even £9 during the year. There was a rush of orders for new tonnage, the high rates and political uncertainties inviting speculation. At the end of 1895 only 730,000 gross tons were under construction in the United Kingdom, by 1898 this amount had practically doubled (1,400,000 tons).

The first effect of the outbreak of the Boer War (October, 1899) was to unsettle the charter market. Messrs. Gould, Angier and Company stated in their review of 1899 that "it is safest to look for some slight contraction in business generally, at any rate until peace in South Africa restores the vast and expanding commerce which that Continent provides." <sup>2</sup> The next year, however, they declared that 1900 had been "a memorable one in the shipping industry. It would be hard to

<sup>1</sup> Fairplay, April 15, 1920, p. 197.

<sup>2</sup> Ibid., April 29, 1920, p. 365.

find any year during the century which can compare in respect of the vast trade done and the large profits housed. The almost universal division of abnormal dividends and large reserves set apart have restored this most important trade of the country to a sound and wealthy position after the severe strain it had passed through from 1890 to 1898. . . . The salient features of the year have been the large amount of Government transport for South Africa, India and China, — the vast and unprecedented amount of tonnage taken up on time-hire, — phenomenal prices for coal, — abatement of the plague and famine in India and consequent large increase in the trade and return to prosperity of the Dependency, — marked expansion of the ore trade, — importation of manufactured iron and steel from America and Germany to this country in the shape of rail, ship-plates, etc., — (and) large output of new tonnage.”<sup>1</sup> The large amount of government transport referred to was the chartering by the British government of about 2,000,000 gross tons of shipping.<sup>2</sup>

But in 1901 complaint was again made that rates were low, “the infallible result of over-building of tonnage during the period of revival in trade from 1897 to 1900 and accentuated by the general contraction in the volume of the world’s commerce. A number of fine craft are being laid up, and many more will have to follow, for at the figures at present ruling, many voyages do not pay actual outgoing expenses, leaving nothing for interest and depreciation.”<sup>3</sup> The price of tonnage fell sharply from £9 to £10 a deadweight ton at the beginning of 1901 to £6 10s. at the close of the year. The depression continued unabated until 1911 and 1912, in fact, was accentuated by the panic of 1907. Rates reacted downward to the lowest level of the half century.

The index number, which indicates a rise of 35 per cent from the low point reached in 1895 and 1896 to a high mark of 112 in 1900, shows by 1907 a recession amounting to 51 per cent. In point of percentage the decline is the greatest in any

<sup>1</sup> Fairplay, April 29, 1920, p. 366.

<sup>2</sup> Ocean Shipping, prepared by National Foreign Trade Council, p. 12.

<sup>3</sup> Fairplay, April 29, 1920, p. 368.

period of depression prior to that of 1920. Messrs. Gould, Angier and Company in the review of 1902 stated that "the result of the past year's trade, as far as 80 per cent of British shipping is concerned, is an absolute loss to the vast majority of ships. . . . Of the remaining 20 per cent of the tonnage, consisting of 'liners' proper, only the most favored companies have done well — viz., those with good mail contracts (which, of course, the receivers maintain are of no profit to them, though their accounts would often look poor without them) and the small 'set' in the run of Government transport work. . . . Over-production of tonnage, started in the years of prosperous trade, retains the impetus given to it long after the reaction of the boom has set in, and the effects of the continued over-production is greatly exaggerated by the ever-slow and gradual restriction of the volume of trade following the booming times. In proof of this we have in this year of bad and unprofitable trade for ships an out-turn of new tonnage exceeding any precedent, and a corresponding accentuation of depression in freights." <sup>1</sup>

The year 1903 was described as "a third twelve months of bad unprofitable trade for steamers, but it has quite outstripped its two predecessors in the intensity of depression and low rates of freight";<sup>2</sup> 1904 had to be "written up as a fourth year of unprofitable work."<sup>3</sup> The Russo-Japanese war in 1905 had little influence on rates, while 1906 is described as "somewhat less satisfactory than the preceding year";<sup>4</sup> 1907 and 1908 were worse, the latter year being marked by "the unexampled depression in all freights both outwards and homewards." <sup>5</sup>

During the first decade of the century the world's tonnage registered the greatest percentage gain of any of the decades considered, from 29.0 million gross tons in 1900 to 41.9 million tons in 1910, or 45 per cent. By 1910 steam tonnage had increased to 37.3 million tons or 89 per cent of the total. The large increase in steamers, much of it in large efficient vessels,

<sup>1</sup> Fairplay, May 6, 1920, p. 437.

<sup>2</sup> Ibid., p. 440.

<sup>3</sup> Ibid., May 13, 1920, p. 520.

<sup>4</sup> Ibid., p. 524.

<sup>5</sup> Ibid., May 30, 1920, p. 603.

throws light upon the falling of rates in a time of rising prices.

The earnings of cargo steamship companies from 1904 to 1911 were very low. Since 1902 *Fairplay* has compiled annually data from over fifty cargo shipping companies, owning each year an average of 1.7 million gross tons. While not all the same companies were included each year, the figures may be taken as characteristic of British companies.<sup>1</sup> In the eight years ending with 1911 dividends averaging 3.30 per cent were distributed to the stockholders and 2.02 per cent of the original cost of the ships was set aside for depreciation. Five per cent of the original cost is ordinarily considered as a fair amount for depreciation. However profitable cargo shipping may have been prior to 1904, the eight years listed below were certainly "lean" ones. But it must be borne in mind that during these years rates were at the low point of the half century. If data on earnings were available for the ten previous years, the average would undoubtedly be higher.

AVERAGE DIVIDENDS PAID AND DEPRECIATION SET ASIDE BY REPRESENTATIVE BRITISH CARGO SHIPPING COMPANIES, 1904-11

| Year    | Paid-up capital thousands of £ | Dividends paid thousands of £ | Per cent dividends | Cost of steamers thousands of £ | Depreciation written off thousands of £ | Per cent depreciation |
|---------|--------------------------------|-------------------------------|--------------------|---------------------------------|---|-----------------------|
| 1904    | 7,594                          | 227                           | 3.64               | 12,455                          | 216                                     | 1.73                  |
| 1905    | 8,577                          | 286                           | 3.33               | 14,818                          | 239                                     | 1.61                  |
| 1906    | 8,084                          | 327                           | 4.05               | 14,639                          | 349                                     | 2.43                  |
| 1907    | 9,167                          | 383                           | 4.17               | 16,654                          | 413                                     | 2.48                  |
| 1908    | 9,622                          | 335                           | 3.48               | 17,523                          | 394                                     | 2.25                  |
| 1909    | 9,517                          | 180                           | 1.89               | 16,758                          | 189                                     | 1.13                  |
| 1910    | 9,458                          | 218                           | 2.30               | 17,284                          | 290                                     | 1.68                  |
| 1911    | 9,884                          | 370                           | 3.73               | 18,862                          | 506                                     | 2.68                  |
| Average | 8,988                          | 297                           | 3.30               | 16,124                          | 325                                     | 2.02                  |

In 1911, in spite of strikes among coal miners, seamen, dock laborers and cotton operatives, revolutions in China and

<sup>1</sup> *Fairplay*, January 6, 1921, pp. 112, 113.

Mexico, war between Italy and Turkey and other political uncertainties, rates improved slightly. A further improvement in the next year made 1912 "memorable in that it witnessed a 'boom' in freights, which, having been for nearly a decade at an unremunerative level, at last rose sufficiently to enable shipowners to make a real profit. . . . There is little doubt that the past lean years by checking the investment of money in shipping contributed to the present satisfactory condition."<sup>1</sup>

The period of the great war calls for but brief description. Rates had declined in 1913 and in 1914 (particularly just after the outbreak of war), to recover slightly in the last months of the year. Thereafter they skyrocketed. The index numbers and the gross tonnage launched are as follows:

| Year | Index Number of Charter Rates<br>(1890-99 = 100) | Gross Tonnage Launched<br>(thousands) |
|------|--|---------------------------------------|
| 1910 | 69   | 1,978                                 |
| 1911 | 82   | 2,650                                 |
| 1912 | 111  | 2,902                                 |
| 1913 | 100  | 3,333                                 |
| 1914 | 105  | 2,853                                 |
| 1915 | 323  | 1,202                                 |
| 1916 | 634  | 1,688                                 |
| 1917 | 1,841  | 2,938                                 |
| 1918 | 2,492  | 5,447                                 |
| 1919 | 561  | 7,145                                 |
| 1920 | 330  | 5,862                                 |

Figures for the amount of tonnage under construction at the end of each year are not available for the entire period, and the tonnage launched each year is given instead, which shows the same picture after the elapse of six or nine months. During the early years of the war merchant ship construction was subordinated to naval work, but the average annual output in 1918-20 was almost exactly twice that of the highest pre-war year, 1913.

Earnings of cargo steamship companies rose almost as spectacularly as rates. The situation is shown in the table, a continuation of that given above.

<sup>1</sup> Fairplay, May 27, 1920, p. 688.

AVERAGE DIVIDENDS PAID AND DEPRECIATION SET ASIDE BY REPRESENTATIVE BRITISH CARGO SHIPPING COMPANIES, 1912-20

| Year    | Paid-up capital<br>thousands<br>of £ | Dividends paid<br>thousands<br>of £ | Per cent<br>dividends | Cost of<br>steamers<br>thousands<br>of £ | Depreciation<br>written off<br>thousands<br>of £ | Per cent<br>depreciation |
|---------|--------------------------------------|-------------------------------------|-----------------------|--|--|--------------------------|
| 1912    | 10,560                               | 721                                 | 6.82                  | 20,221                                   | 1,464  | 7.24                     |
| 1913    | 10,964                               | 1,378                               | 12.56                 | 21,473                                   | 3,345  | 15.58                    |
| 1914    | 10,842                               | 1,126                               | 10.38                 | 20,067                                   | 1,944  | 9.69                     |
| 1915    | 14,108                               | 1,614                               | 11.43                 | 21,709                                   | 2,221  | 10.23                    |
| 1916    | 14,822                               | 2,743                               | 18.50                 | 19,352                                   | 3,346  | 17.29                    |
| 1917    | 13,567                               | 2,611                               | 19.24                 | 19,141                                   | 2,494  | 13.03                    |
| 1918    | 12,799                               | 1,554                               | 12.15                 | 16,469                                   | 711  | 4.32                     |
| 1919    | 14,216                               | 1,773                               | 12.47                 | 14,633                                   | 853  | 4.83                     |
| 1920    | 20,738                               | 2,381                               | 11.48                 | 32,469                                   | 1,969  | 6.06                     |
| Average | 13,624                               | 1,768                               | 12.98                 | 20,615                                   | 2,039  | 9.89                     |

It will be noticed that while depreciation in adequate amounts was not set aside between 1904 and 1912, in five of the nine succeeding years a larger amount was written off the value of the steamers as carried on the books than was distributed as dividends to the shareholders.

The facts of the present shipping situation are plain. Nearly every day an item in some paper states that numbers of additional ships have been tied up, or that somebody estimates the total idle tonnage to be such a figure. The steamers afloat at the first of 1921 were 56.8 million gross tons, 13.7 million more than in 1913, and in addition 7.1 million were under construction. At the same time the volume of cargo moving was only four-fifths as much as in 1913.<sup>1</sup> Charter rates today (June, 1921) are in many instances at pre-war levels and operating expenses are still around three times those of 1913. The present depression has all the characteristics of those preceding, many times intensified: a large excess of tonnage over immediate requirements, decreased movement

<sup>1</sup> Gregg, E. S., "The Crux of Our Shipping Problem," *Journal of Political Economy*, June, 1921, p. 506. Also *Monthly Statistical Bulletin of the Supreme Economic Council*, vol. ii, No. 3, pp. 29, 30 for later figures.

of overseas shipments, millions of tons of steamers under construction, high ship construction and operating costs, and low rates. Shipping men, it seems, have never been able to persuade themselves in periods of prosperity that good times would not last always. Over-building of tonnage has continually recurred, sometimes coincident with a falling off of the amount of cargo shipped. In the forty-five years before the war only fifteen years were so-called good ones, two poor years for one of prosperity.

While it is impossible to get an approximation of the excess of tonnage over the current trade requirements during the previous depressions, there is convincing evidence that in no instance has the surplus of tonnage (or the amount tied up, if one wishes) been so large a percentage of the whole as at present. And today new construction, a year after the depression has set in, is going forward at over twice the highest pre-war annual rate! The conclusion seems inescapable that shipping in general is confronted with a depression of unprecedented intensity and duration. The present depression may be the most trying one that the old established lines have experienced, it will certainly test severely the new companies, and it is likely to prove almost disastrous to our government-owned fleet.

E. S. GREGG.

NEW YORK CITY.